

Report on the Comprehensive User Fee Analysis

CITY OF ROCKVILLE, MARYLAND

FINAL



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1. EXECUTIVE SUMMARY

The report, which follows, presents the results of the citywide User Fee Analysis conducted by the Matrix Consulting Group for the City of Rockville. This report provides the City with the findings, conclusions, and recommendations resulting from the analysis of user fees in all departments across the entire City.

1. PROJECT BACKGROUND AND USER FEE STUDY RATIONALE

Rockville, Maryland is a full service City government, which provides many services to its citizens as well as non-residents. As is the case in cities throughout the United States, Rockville is dealing with difficult issues in increased demands for services in an economy that has seen economic and development-related growth slowed, stopped, and even reversed. In addition, the City desires to minimize the property tax burden on its citizens. As a result of these pressures, the City must examine all opportunities for enhanced revenues or new revenue sources to avoid reducing valuable City service levels.

One of the primary goals of a user fee study is to identify the costs and subsidy levels for City services. The City knowingly subsidizes some of these services (law enforcement services, for example). However, some services provide benefit to individuals or groups who use the specific services. The study identifies the costs of providing those services and allows the City Council to identify where subsidies exist. The City Council can then decide how much of the cost is borne by the individual user of the service and how much will be subsidized by the general taxpayers through property tax levies.

Given the City's existing financial conditions, the City Council determined that a comprehensive review of all fee areas should be undertaken. Accordingly, Rockville engaged the Matrix Consulting Group to conduct a User Fee Analysis to review the City's current costs related to the recovery of fees for services. This Executive Summary provides a summary of Matrix's findings and any recommendations resulting from the study.

The costs of a number of City services currently provided either are or could be recovered from user fees. Revenues from user fees can be an appropriate means of achieving revenue enhancement for local government. Many times one or more of the following conditions exist before a full cost user fee study is undertaken in a City:

- Current user fees are set far below the actual cost of providing the services.
- No fees are being charged for services that could generate revenue.
- Current fee structure and policy have not been set with full knowledge of the relationship between the value of a service and the amount of the fee.

Providing certain public services at cost can have numerous benefits to the City and its citizens:

- All service users, including those exempt from property taxes, pay user fees.
- Non-residents, reducing the burden on City residents, pay user fees.
- User fees create a "rationing" of services and allow for the measurement of demand.

It is for these reasons that local governments all over the United States are shifting from a near-total dependence on property, sales and income taxes for financing local services to a more broad-based revenue stream. Although there may be political

reaction to increasing fees for services that were previously free or heavily subsidized, local governments are becoming aware that user charges can be a more acceptable method of raising revenue than an increase in taxes.

2. GENERAL PROJECT APPROACH AND METHODOLOGY

The methodology employed in establishing the full cost of providing services is a widely known and accepted “bottom up” approach to cost analysis, where time spent per unit of fee activity is determined for each position within a department. Once time spent for a fee activity is determined, all applicable costs are then considered in the calculation of the full cost of providing each service. A more detailed discussion of all costs considered for each department is included in Chapter 3 of this report. However, the following table is a summary of typical costs included in the calculation of total service costs:

Cost Component	Description
Direct	Salaries, benefits and allowable departmental expenditures.
Departmental Overhead	Departmental administration / management and clerical support.
City-wide Overhead	Central service costs such as payroll, human resources, budgeting, City management, etc. Often established through a cost allocation methodology or plan (In this case, the recently completed cost allocation plan provided these costs).
Cross-Departmental Support	Costs associated with review or assistance in providing specific services. For example, costs associated with Engineering’s review of Planning Applications.

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps over the course of the last year:

- **Initial Interviews:** Key project management staff for Rockville was interviewed to solidify the mutual understanding of the objectives of this study and potential issues with the implementation of user fees.

- **Department Staff Interviews:** The project team interviewed staff in each of the studied departments included in the study regarding their needs for clarification to the structure of existing fee items, or for addition of new fee items.
- **Data Collection:** All essential data components were entered into the Matrix Consulting Group's user fee analytical software model, including all budgetary, staffing level, time estimate, and volume of activity assumptions. The data was updated to include FY 2011 budgeted expenditures and staffing levels.
- **Cost Analysis:** The project team applied all applicable City costs toward the calculation of the full costs of providing each service included in the model. Resulting costs were presented on a unit and annual level, compared to revenue reports, and provided information about cost recovery surpluses and deficits.
- **Review and Approval of Results with City Staff:** Because the analysis of fees for service is based on estimates and information provided by each department's staff, it is extremely important that all participants were comfortable with our methodology and with the data they provided. Department staff and management reviewed and approved these documented results.
- **Development of Fee Recommendations:** The consulting team has identified the full cost of providing City services. Although the full cost for providing each service is identified, the City staff may recommend less than full cost recovery in some areas. A number of these reasons are detailed in this report.

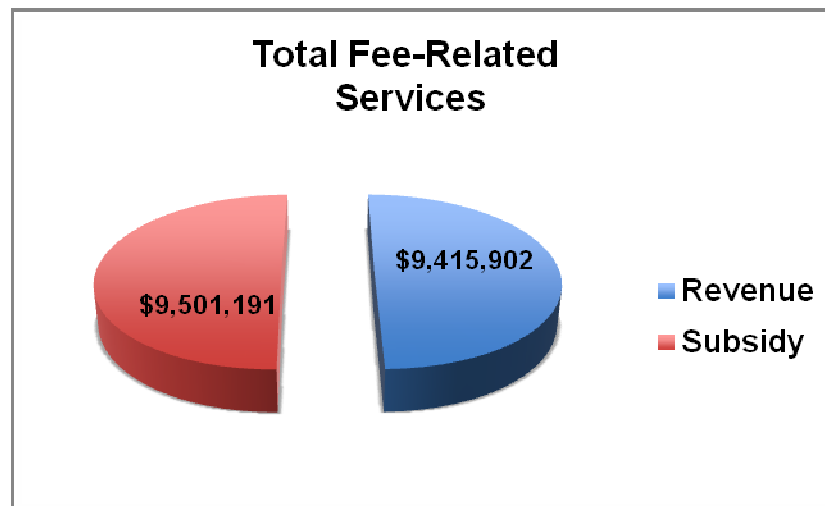
In the detailed report, which follows, the full cost of services for items included in the study are presented from both a unit and annual cost perspective. A more detailed description of user fee methodology and the relevant policy considerations are provided in the Chapter 2 of this report.

3. SUMMARY OF RESULTS – CURRENT AND POTENTIAL FEE AREAS

The User Fee Analysis presents the results of the Matrix Consulting Group's analysis of the full cost of services provided by the City of Rockville, for which user fees are currently being charged or might be considered. By calculating the full cost of these services, including an appropriate share of Citywide and departmental indirect cost, and comparing that cost to the associated revenues received, the project team has been able to determine the amount of cost subsidy being drawn from general tax dollars in these areas. A primary objective of the analysis was to provide cost data to be used as a basis for establishing or adjusting user fees.

The full cost of delivering services includes direct labor costs, other direct operating and maintenance costs, departmental supervision costs, and citywide indirect costs.

The study indicates that the full cost of fee related services are \$18,917,094 and that \$9,415,902 is being recovered in revenue. The subsidy currently required to support these services is, therefore, \$9,501,191 as illustrated by the following graph:



Total Cost \$18,917,094

The following table illustrates the cost/revenue analysis by department and cost center for the current fee areas analyzed in this study.

Cost/Revenue Analysis Summary Current and Potential Fee Areas

<u>Department/Division</u>	<u>Cost</u>	<u>Revenue</u>	<u>Difference</u>	<u>Percentage of Cost Recovery</u>
CPDS				
Inspection Services	\$2,929,700	\$1,457,750	\$1,471,950	49.8%
Planning	1,509,289	250,230	1,259,059	16.6%
Subtotal	\$4,438,989	\$1,707,980	2,731,009	38.5%
Police				
Admin Services	\$10,283	\$2,813	\$7,470	27.4%
Community Enhancement & Code Enforcement	203,250	878,165	(674,915)	432.1%
Neighborhood Services	68,966	17,531	51,435	25.4%
Patrol Teams	180,001	108,295	71,706	60.2%
PS Communications	16,115	11,625	4,490	72.1%
Subtotal	\$478,614	\$1,018,429	\$(539,814)	212.8%
Public Works - Engineering				
GF - Contract Mgmt. 110-850-0201	\$345,814	\$-	\$345,814	0.0%
GF - Development Review 110-850-3302	180,208	235,779	(55,571)	130.8%
GF - Engineering Admin 110-850-3305	188,860	-	188,860	0.0%
Water- Development Review 210-850-3302	90,552	-	90,552	0.0%
WW - Development Review 220-850-3302	48,332	-	48,332	0.0%
WW - Engineering Admin 220-850-3305	37,224	-	37,224	0.0%
Storm Water - Contract Mgt. 330-850-0201	265,294	-	265,294	0.0%
SWater - Development Review 330-850-3302	402,871	232,398	170,473	57.7%
Traffic Engineering	288,635	67,000	221,635	23.2%
Subtotal	\$1,847,789	\$535,177	\$1,312,612	29.0%

<u>Department/Division</u>	<u>Cost</u>	<u>Revenue</u>	<u>Difference</u>	<u>Percentage of Cost Recovery</u>
Recreation and Parks				
Adult Sports	\$338,404	\$162,809	\$175,595	48.1%
After School	477,689	206,226	271,463	43.2%
Arts	163,204	44,186	119,018	27.1%
Camps	562,903	403,800	159,103	71.7%
Childcare	260,818	203,358	57,460	78.0%
Civic Center	1,482,100	850,190	631,910	57.4%
Classes	471,458	346,560	124,898	73.5%
Forestry Development	243,556	62,290	181,266	25.6%
Lincoln Park Rec Ctr.	483,992	52,763	431,229	10.9%
Nature Center	213,822	64,459	149,363	30.1%
Outdoor Recreation	151,418	30,303	121,115	20.0%
Playgrounds	312,290	80,587	231,703	25.8%
Redgate Golf	1,522,740	1,075,152	447,588	70.6%
Senior Center	506,299	73,211	433,088	14.5%
Senior Recreation	340,545	64,208	276,337	18.9%
Senior Sports and Fitness	278,483	66,823	211,660	24.0%
Senior Support Services	124,721	38,112	86,609	30.6%
Swim Center	2,084,121	1,682,000	402,121	80.7%
Teens	349,074	74,888	274,187	21.5%
Thomas Farm Rec Ctr.	785,184	177,000	608,184	22.5%
Twinbrook Rec Ctr.	534,483	131,640	402,843	24.6%
Youth Sports	464,398	263,753	200,645	56.8%
Subtotal	\$12,151,702	\$6,154,317	\$5,997,384	50.6%
Total Fee Services	\$18,917,094	\$9,415,902	\$9,501,191	49.8%

At full cost recovery, the potential additional revenue obtained from implementing a full cost recovery policy for fees for services is approximately \$9.5 million above what is currently collected for these services. However, staff recommendations will reflect significantly less costing recovery based pricing factors that are discussed in the next chapter of this report.

4. REPORT FORMAT

The remainder of the report is presented in following sections:

- **Legal Framework and Policy Considerations** - A summary of the key legal and policy issues that City governments face in Maryland.
- **Approach and Methodology** - A brief description of the approach and methodology utilized to develop the user fee study.
- **Current User Fee Cost Recovery Guide** – Included in the study for quick review and comparison purposes, this section provides the reader with the current user fee recovery policy that is included in the City of Rockville's annual budget document.
- **Department Fee Studies** - A summary presentation of the Matrix Consulting Group's analysis of the cost of fee and service areas in each City department.
- **Conclusion** - A summarization of the major issues related to implementing a user fee study and the policy decisions that should be made.
- **Department Fee Studies Technical Appendix** – User Fee Costing Reports (Provided Electronically and separately for internal department use)

2. LEGAL FRAMEWORK AND POLICY CONSIDERATIONS

A “user fee” is a charge for services provided by a governmental agency to a public citizen or group. In some City departments, these fees are regulated by the State of Maryland and the City has no legislative authority to change the amount of the fees charged, regardless of the cost. In a significant number of other areas, the City has the ability to adjust its fees to recover the costs of providing City services. The following sections identify some of the key principles and the policy issues that most local governments face when analyzing the cost of services.

1. GENERAL PRINCIPLES AND PHILOSOPHIES REGARDING USER FEES

Local governments are providers of many types of general services to their communities. While all services provided by local government are beneficial to constituents, some services can be classified as globally beneficial to all citizens, while others provide more of a direct benefit to a specific group or individual. The following table provides examples of services provided by local government within a continuum of the degree of community benefit received:

Services that Provide General “Global” Community Benefit	Services that Provide Both “Global” Benefit and also a Specific Group or Individual Benefit	Services that Provide a Primary Benefit to an Individual or Group, with less “Global” Community Benefit
<ul style="list-style-type: none">• Police Patrol• Park Maintenance	<ul style="list-style-type: none">• Recreation / Community Services• Youth Sports/Family Activities	<ul style="list-style-type: none">• Building Permits• Planning and Zoning Approval• Site Plan Review• Engineering Development Review

Funding for local governments is obtained from a myriad of revenue sources such as taxes, fines, grants, special charges, user fees, etc. In recent years, alternative

tax revenues, which typically offset subsidies for services provided to the community, have become increasingly limited. These limitations have caused increased attention on user fee activities as a revenue source that can offset costs otherwise subsidized (usually) by the general fund. In the table above, services in the “global benefit” section tend to be funded primarily through tax revenues. In the middle of the table, one typically finds a mixture of taxes, user fee, and other funding sources. Finally, in the “individual / group benefit” section of the table, lie the services provided by local government that are typically funded almost entirely by user fee revenue. It should not be overstated that fees charged in the category solely benefit the individual. On the contrary, many of these fees provide a more global benefit (some eliminate blight or increase assessed valuations and adds to the tax base, for example). However, many jurisdictions typically attempt to recover 100% of the costs associated with providing these services.

The following are two central concepts regarding the establishment of user fees:

- **Fees should be assessed according to the degree of individual or private benefit gained from services.** For example, the processing and approval of a land use or building permit will generally result in monetary gain to the applicant, whereas law enforcement and fire suppression services are examples of services that are essential to the safety of the community at large; and,
- **A profit making objective should not be included in the assessment of user fees.** Once a charge for service is assessed at a level higher than the actual cost of providing a service, the term “user fee” no longer applies.

Therefore, it is commonly accepted that user fees are established at a level that will recover up to, and not more than, the cost of providing services. Departments will share in the development of fee recommendations to help determine the appropriate recovery level for each fee analyzed. Every department will review the categorizations

of all fees made by the project team and utilize the current fee recovery policies established in the City of Rockville to develop fee recommendations.

The following section identifies where the full cost recovery guidelines identified above may not be applicable in all cases when setting the fee recovery levels. Quite simply, the “price” set for the services does not necessarily match the “full cost” for those services.

2. GENERAL POLICY CONSIDERATIONS REGARDING USER FEES

Undoubtedly, there are programs, circumstances, and services that justify a subsidy from a tax based or alternative revenue source. However, it is essential that jurisdictions prioritize the use of revenue sources for the provision of services based on the continuum of benefit received.

Within the services that are typically funded by user fees, the Matrix Consulting Group recognizes several reasons why a jurisdiction’s staff or decision-making authority may not advocate the full cost recovery of services. The following factors are key policy considerations in setting fees at a level different than 100 percent of cost recovery:

- **Limitations posed by an external agency.** The State or other agency will occasionally set a maximum, minimum, or limit the jurisdiction’s ability to charge a fee at all. Examples include Court fees and fines, many types of law enforcement records and processing fees, as well as charging for time spent copying and retrieving public documents.
- **Encouragement of desired behaviors.** Keeping fees for certain services below may provide a better compliance from the community. For example, if the cost of a permit for changing a water heater in a residential home is higher than the cost of the water heater itself, many citizens will avoid pulling the permit. If the cost of a dog license is reasonable, then more owners will be encouraged to license their animals.
- **Affect on demand for a particular service.** Sometimes raising the “price” charged for services might reduce the number of participants in a program. This

is largely the case in Parks and Recreation programs such as golf fees or sports leagues, where participants often compare the jurisdiction's fees to surrounding agencies or other options for leisure activities. One recent example in a relatively affluent Texas city, membership fees for recreation centers were raised substantially in one year and membership levels dropped by more than 40 percent.

- **Participation for individuals or groups that typically cannot afford services.** Policy makers may decide to fully subsidize or set fees at a level that will allow participation for certain segments of the community, such as Senior programs.
- **Benefit received by user of the service and the community at large is mutual.** Many services that directly benefit a group or individual equally benefit the community as a whole. Examples include Recreation programs, Planning Design Review, historical dedications and certain types of special events, to name a few.

The Matrix Consulting Group recognizes the need for policy that intentionally subsidizes certain activities. The primary goals of a User Fee Study are to provide a fair and equitable basis for determining the costs of providing services, and assure that fees charged for services are in compliance with local ordinances and State law.

In some instances, organizations may even benchmark their fees to those of surrounding jurisdictions, regardless of the full cost of services. Factors such as elasticity of demand and the desire to maintain a relatively narrow range of fees in a region are examples of where jurisdictions may set their fees above or below their actual full cost calculation.

Once the full cost of providing services is known, the next step is to determine the "rate" or "price" for services at a level which is up to, and not more than the full cost amount. The City Council is responsible for this decision, which often becomes a question of balancing service levels and funding sources. The placement of a service or activity within the continuum of benefit received may require extensive discussion and at

times fall into a “grey area.” However, with the resulting cost of services information from a User Fee Study, the City Council can be assured that the adopted fee for service is reasonable, fair, and legal. The project team has provided the basis for this decision-making process through a review by City staff who can then, in turn, make recommendations to the City Council.

3. APPROACH AND METHODOLOGY

The Matrix Consulting Group utilizes a cost allocation methodology, commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The components of a the full cost calculations for Rockville’s services are shown in the table below:

Cost Component	Description
Direct	Fiscal Year 2011 budgeted salaries, benefits and allowable departmental expenditures.
Departmental Overhead	Division and Department administration / management and clerical support (derived through the recently completed full cost allocation plan).
City-wide Overhead	City costs associated with central service costs such as payroll, human resources, Finance, Information Technology, City Management, etc.
Cross-Departmental Support	Costs associated with review or assistance in providing specific services from other departments.

The general steps utilized by the project team to determine allocations of cost components to a particular fee or service are:

- Develop time-estimates for each service included in the study;
- Calculate the direct cost attributed to each time estimate;
- Utilize the comprehensive allocation of staff time to establish an allocation basis for the other cost components; and,
- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or other reasonable basis.

The result of these allocations provides detailed documentation for the reasonable estimate of the actual cost of providing each service. The following are critical points about the

use of time estimates and the validity of cost allocation models.

1. TIME ESTIMATES ARE A MEASURE OF SERVICE LEVELS REQUIRED TO PERFORM A PARTICULAR SERVICE

One of the key study assumptions utilized in the “bottom up” approach is the use of time estimates for the provision of each fee related service. Utilization of time estimates is a reasonable and defensible approach; especially since experienced staff members who understand service levels and processes unique to Rockville develop these estimates.

The project team worked closely with staff in all departments to develop time estimates with the following criteria:

- Estimates are representative of average times for providing service. Extremely difficult or abnormally simple projects are excluded from the analysis;
- Estimates provided by staff are reviewed and approved by the department, and often involve multiple iterations before a Study is finalized;
- Estimates are reviewed by the project team for “reasonableness” against their experience with other agencies.

The Matrix Consulting Group agrees that while the use of time estimates is not a perfect approach, it is the best alternative available for setting a standard level of service for which to base a jurisdiction’s fees for service.

The alternative to time estimating is actual time tracking, often referred to billing on a “time and materials” basis. Except for in the case of anomalous or sometimes very large and complex projects, the Matrix Consulting Group believes this approach not to be cost effective or reasonable for the following reasons:

- Accuracy in time tracking is compromised by the additional administrative burden required to track, bill, and collect for services in this manner;
- Additional costs are associated with administrative staff’s billing, refunding, and monitoring deposit accounts;

- Customers often prefer to know the fees for services in advance of applying for permits or participating in programs;
- Applicants may begin to request assignment of faster or less expensive personnel to their project;
- Departments can better predict revenue streams and staff needs using standardized time estimates and anticipated service volumes.

Situations arise where the size and complexity of a given project warrants time tracking and billing on a “time and materials” basis.

2. CROSS CHECKS ENSURE THE VALIDITY OF OUR ANALYTICAL MODEL

In addition to the collection of time estimate data for each fee or service included in the User Fee Study, annual volume of activity data assumptions are also a critical component. By collecting data on the estimated volume of activity and estimated amount of revenue collected for each fee or service, a number of analyses are performed which not only provide useful information to departments regarding allocation of staff resources, but also provide valuable cross checks that ensure the validity of each cost allocation model. This includes assurance that 100% of staff resources are accounted for and allocated to a fee for service, or “other non fee” related category. Since there are no objectives to make a profit in establishing user fees, it is very important to ensure that services are not estimated at a level that exceeds budgeted resource capacity. If at least and not significantly more than 100% of staff resources are accounted for, then no more than 100% of costs associated with providing services will be allocated to individual services in the Study.

3. SPECIFIC METHODOLOGY USED TO DEVELOP THE COST OF SERVICES ANALYSIS

The primary purpose of the User Fee Study is to document the full cost of providing City services for which user fees are assessed or could be assessed reasonably. This work will allow the City to make a determination of the level of tax subsidy it wants to maintain as a matter of public policy in an environment where the full and actual cost of doing business is known. Fee levels then become a true measure of the City's intentions and not simply a combination of historical or inconsistently applied amounts.

Among the tools that the Matrix Consulting Group uses in all its studies are the principles of governmental cost accounting. This means that a detailed and comprehensive analysis of all the costs associated with the provision of each unit of service is completed. The study utilizes budgeted FY 2011 expenses and projected revenues based on a combination of historical and/or projected revenue collection trends. In order to accomplish a tailor-made, departmental cost of service/revenue analysis for the City of Rockville, the project team went through the following stages of research and analysis:

- Conducted an analysis of service costs and revenues, including:
 - Interviews with key management and operational personnel in each service department
 - Determined the full cost of each service by identifying staff positions that provide the service, the number of units of the service provided in a year, the amount of staff time required for each service and related operating expenses.
 - Determined current revenue for each service
 - Processed the cost of services plan

- Reviewed first drafts with department staff and incorporated revisions
- City management review;
- Preparation of final report
- Presentation to City Council

This approach results in a detailed cost of service/revenue analysis that the City will use as a basis for restructuring existing fees and/or implementing new ones. The final results incorporate multiple iterations and fine-tuning of data. We believe the analysis and conclusions to be the best obtainable -- the result of the cooperative efforts between Matrix Consulting Group consultants and City staff.

4. CURRENT USER FEE COST RECOVERY GUIDE

The following pages contain the current Mayor and Council Policy guidelines on "User Fee Cost Recovery Goals" that can be found in the City budget book on pages 2-8 and 2-9. These policies may need updating based on the overall user fee study.

User Fee Cost Recovery Goals:

Fees for services will be reviewed and updated on an ongoing basis to ensure that they keep pace with inflation. In addition, fees need to be updated for changes in methods or levels of service delivery to ensure that they are appropriate and equitable for all users.

In order to implement this goal, a comprehensive analysis of City costs and fees should be undertaken at least every five years. In the interim, fees will be adjusted by annual changes in the Consumer Price Index (CPI). Fees may be adjusted during this interim period based on supplemental analysis whenever there have been significant changes in the method, or level of cost of service delivery. General concepts to be followed are:

- Revenues should not exceed the reasonable cost of providing the service.
- Cost recovery goals should be based on the total cost of delivering the service, including direct costs, indirect costs, departmental administration costs, and organization-wide support costs such as accounting, personnel, IT, insurance etc.
- The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
- Rate structures should be sensitive to the "market" for similar services as well as to smaller, infrequent users of the service.

Development Review Programs:

Services under this category include Planning, Building and Safety, and Engineering. Cost recovery goals for these services in most instances should be 100 percent. However, in charging at this level, the City needs to clearly establish and articulate standards for its performance in reviewing developer applications to ensure that there is "value for cost."

Recreation and Park Programs:

Fees are reviewed annually by the Recreation and Parks Advisory Board. The fees that fall into this category are user fees of public recreation facilities and programs, rental fees for use of public grounds and facilities, admission fees for public events, special

service fees for extraordinary items, vendor fees for the privilege of selling goods and services on public property, and development review fees associated with the Forest and Tree Preservation ordinance. In addition to these fees, grants and other financial contributions from businesses and other levels of government support recreation and parks programs.

The level of cost recovery is based on different service levels provided throughout the community as follows:

Basic Services, Parks and Facilities:

These services include operation and maintenance, open space and recreation facilities, neighborhood and Citywide parks, greenways, trails, right-of-way islands and landscaping including street trees, playgrounds, non-reservation amenities and other similar public facilities, maintenance operations facilities, as well as overall department administrative activities. These services primarily serve to support individual and small-group non-reserved/non-consumptive/non facility-based amenities and recreation activities.

No cost recovery is associated with the following functions. These services are provided to the community with funds derived from tax revenues.

These activities include but are not limited to:

- Parks
- Skate Park
- Hiking
- Playgrounds
- Picnic areas
- Fishing
- Trails
- Bike paths
- Right-of-way landscaping
- Facility landscaping
- Nature observation
- Urban forestry maintenance
- Trail and pathway activities
- Outdoor courts
- Informal games
- Undesignated play areas
- City uses for activities, meetings, etc. with no associated revenue
- Dog Park

Community Benefit – Core Programs, Services and Facilities:

These services include core or basic recreation programs, activities and events which utilize parks, recreation facilities and other public spaces, providing benefits to the entire community or a large portion thereof, are not routinely provided by the private sector and are partially supported by fees and charges. These are considered to provide a baseline level of service and can be considered to enhance the quality of life for Rockville residents.

Community Benefit programs and facility uses are expected to recover approximately 25 percent of direct costs from fees, sponsorships and grants. Supplemental funding is provided via tax dollars.

These activities include but are not limited to:

- *Civic Association/HOA uses of neighborhood community centers*
- Drop-in use of facilities such as Civic Center, recreation centers, community centers, Senior Center, Nature Center
- Citywide special events including Memorial Day Parade and Independence Day, and Town Center Festivals
- At-risk youth programs
- Senior Social Services
- Basic after-school programs
- Senior transportation services
- Outdoor performing arts series
- Community special events
- Art galleries
- Farmers' Market
- *Therapeutic recreation programs*
- *Grant supported programs*
- Teen social clubs and dances
- Seasonal programs and events

Community/Individual Benefit Services:

These services provide benefits that accrue both to the community at large as well as to the individual served. They are available to all; however, space, time, consumptive use, cost of supply and other factors may limit or preclude participation. On occasion the private sector, in particular non-profits, may offer some of these services. Due to the limitations listed above and especially to "cost of supply" circumstances, these services have been designated to recover a substantial

percentage of direct and indirect costs. In some special circumstances, full cost recovery may be warranted.

Community/Individual Benefit programs and facility uses are expected to recover between 25 percent and 100 percent of direct costs and up to 25 percent of indirect costs. Supplemental funding is provided as necessary and appropriate with tax dollars.

These activities include but are not limited to:

- Introductory or basic skill level activities of all types for all ages
- Swim and Fitness Center facility and program use (memberships, daily admissions, classes, swim team, etc.)
- Citywide special events – Hometown Holidays concerts, Eggstravaganza, car show, road races
- Adult sports leagues
- Youth sports leagues, including partner non-profit leagues
- Recreation/Community center programs and rentals
- Summer Playgrounds
- Senior citizen recreation programs
- Senior citizen sports and fitness programs
- Concert Band, Community Chorus, RRYO, Civic Ballet
- Resident Companies at F. Scott Fitzgerald Theater

Individual Benefit Services:

These services are defined as those products/processes for which benefits accrue almost entirely to the individual, group or organizational participant/consumer. They may be available to the entire city population or beyond, but substantial limitations on space, time consumption and cost have the effect of restricting use. The private sector can supply these services or they are provided through public/private partnerships. Due to “cost of supply” factors these services are required to fully recoup direct costs, up to 100 percent of indirect costs, and in some cases a pro-rata share of allocated costs. Fees are often established based on the appropriate local market demand. Tax supported funding is minimal.

These activities include but are not limited to:

- Fitness facilities within recreation centers, Rockville Swim and Fitness Center, Senior Center, etc.
- Licensed childcare programs
- Intermediate and advanced skill development activities for youth and adults
- Trips and tours – all ages
- Outdoor adventure activities

- Summer camps – all types
- Advanced or select-level team sports for youth and adults
- Private use/rentals of City facilities
- Retail sales/concessions

5. CONCLUSION

The motivation behind a cost of services (User Fee) analysis is for the City to maintain services at a level that is both accepted and effective for the community, decrease the amount of general tax subsidization in those areas where the individual user of services should be paying a greater proportion of the full cost, and to maintain control over the policy and management of these services.

The report indicates current revenue and full cost levels for all activities analyzed within the scope of the study. However, the display of the “subsidy” for each fee throughout this report is meant to provide a basis for policy development discussions, and does not represent a recommendation for where the City should set the “price” of each fee. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a decision to be made only by the necessary decision making authority, often in conjunction with input from Department staff. Common reasons for adopting fees at less than 100 percent of full cost recovery are presented in Chapter 2 of this report.

The presentation of results in this report are intended as summaries of extensive and voluminous cost allocation documentation for the departmental analytical models. The full analytical results were provided to the Department’s staff under separate cover from this summary report.

It should be noted that these results are not a precise measurement. Changes to the structure of fee names, along with the use of time estimates and annual volume and

revenue estimates allow only for a reasonable projection of surpluses, subsidies and revenues. Consequently, the reader should rely conservatively upon these estimates to gauge the impact of implementation going forward, while, at the same time, remain confident that the data, conclusions, and results presented in this report represent the estimated, reasonable cost of providing the City's fee related services.